

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF BUSINESS  
SEPARATION AND  
UNBUNDLING PLAN (BSUP)  
PURSUANT TO SECTION 36  
OF REPUBLIC ACT 9136  
AND RULE 10 OF ITS  
IMPLEMENTING RULES  
AND REGULATIONS**

**ERC CASE NO. 2017-004 MC**

**BASILAN ELECTRIC  
COOPERATIVE, INC.  
(BASELCO),  
Applicant.**

**D O C K E T E D**  
Date: APR 19 2018  
By: W

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**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 23 February 2017, an *Application* dated 3 January 2017 was filed by applicant Basilan Electric Cooperative, Inc. (BASELCO) seeking the Commission's approval of its Business Separation and Unbundling Plan (BSUP), pursuant to Section 36 of Republic Act No. 9136 and Rule 10 of its implementing rules and regulations.

**BASELCO alleged the following in its Application:**

1. BASELCO is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Km. 3, Barangay Binuangan, Isabela City, Basilan;

2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the Cities of Isabela and Lamitan, and the Municipalities of Akbar, Albarka, Hadji Mohammad Ajul, Hadji Muhtamad, Lantawan, Maluso, Sumisip, Tabuan Lasa, Tipo-tipo, Tuburan, and Ungkaya Pukan;

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3. Section 36 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 or "EPIRA", provides in part that "*Any electric power industry participant shall functionally and structurally unbundle its business activities and rates in accordance with the sectors as identified in Section 5 hereof. The ERC shall ensure full compliance with this provision.*"

4. Pursuant to the said mandate of the EPIRA as well as Rule 10 of its Implementing Rules and Regulations (IRR), the Honorable Commission promulgated Resolution No. 49, Series of 2006 otherwise known as "*Business Separation Guidelines, as Amended*" as well as Resolution No. 07, Series of 2012, Adopting the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives;

5. Further, in line and in compliance with the requirements of the foregoing law, rules and resolutions, BASELCO is submitting herewith for the Honorable Commission's evaluation and approval, its proposed Business Separation and Unbundling Plan (BSUP) for the business separation and structural and functional unbundling of its business activities, with the end in view of separating its distribution activities into appropriate business segments and to have a clear separation of operations and accounts between its regulated and non-regulated activities.

6. Applicant's proposed BSUP is divided into six (6) sections, described in detail hereunder, as follows:

#### **SECTION I.DETAILS OF CURRENT STRUCTURE**

##### **A) CORPORATE PROFILE**

BASELCO is a non-stock, non-profit electric cooperative organized on May 24, 1975 and registered with the National Electrification Administration (NEA) on August 6, 1973 as the 62<sup>nd</sup> electric cooperative established in the Philippines pursuant to the provisions of Presidential Decree 269. Its franchise area covers the cities of Isabela and Lamitan, and the municipalities of Akbar, Albarka, Hadji Mohammad Ajul, Hadji Muhtamad, Lantawan, Maluso, Sumisip, Tabuan Lasa, Tipo-tipo, and Ungkaya Pukan.

##### **Status of Electrification as of December 2015:**

BASELCO has energized 100% of the cities and municipalities within its coverage area. There are 269 island barangays in the cooperative's franchise area which are off the grid, and 84% thereof has already been energized.

The household connections have reached 43,740, which is statistically 61% of the 61,546 potential household connections. The actual consumers are 28,542 broken down as follows: Residential: 27,079; BAPA: 6; Low Voltage: Commercial: 1,059; Industrial: 3; Public Building: 306; Street lights: 86; High Voltage: Industrial: 4. The energized primary distribution lines

is 636.313 kilometers while the secondary service lines is 482.505 kilometers.

**Financial and Statistical Report as of December 2015:**

As of December 2015, the total kWh sales aggregated to 2,138,971.47 broken down as follows: Residential: 1,424,840.73; BAPA: 11,807.25; Low Voltage: Commercial: 333,458.33, Industrial: 37,750.85, Public Building: 242,640.39, Street Lights: 36,310.74; High Voltage: Industrial: 52,163.18.

**B) CORPORATE STRUCTURE**

BASELCO's present organizational structure is divided into six (6) main Divisions, briefly described as follows:

**a. Office of the General Manager (OGM)**

Reporting to the General Manager are the External Auditor and Legal Counsel. Under the OGM is the Internal Audit.

**b. Institutional Services Department (ISD)**

The ISD is divided into: Administrative Management Division and Member Services Division.

**c. Finance Services Department (FSD)**

The FSD is divided into: Finance Service Division and Consumers Accounts Division

**d. Technical Services Department (TSD)**

The TSD is divided into Engineering Services Division, Operations and Maintenance Division and Mini-Hydro Engineering Division.

**e. Area Offices**

There are two area offices, the Area Office I and Area Office II.

**f. Sub-Offices**

There are sub-offices operating in the Cities of Isabela and Lamitan.

**C) DESCRIPTION OF FUNCTIONS**

**1. General Membership**

The general functions of the General Membership are summarized as follows: To vote; to participate in the General and Special Meetings of members; to purchase from the Cooperative electric energy; to comply with and be bound by the Articles of Incorporation and By-Laws of the Cooperative, any rules and regulations adopted by the Board and requirements of the National Electrification Administration; and to pay the membership fee.

**2. Board of Directors**

The general functions of the Board of Directors are summarized as follows:

- a) To manage the internal affairs of the Cooperative and assure the member-consumers that public relations and relations with Government and Public Agencies are maintained;
- b) To delegate detail management, program planning, and supervision over execution of policies and programs to the General Manager;
- c) To ensure a democratic functioning of the Cooperative as provided in the by-laws and for keeping members fully informed;
- d) To promote member-consumers education in Cooperative principles and methods and in effective power use application;
- e) To manage the expenditure of funds, improvement and maintenance of facilities, good labor relations, building of community support, establishing a coordinated program of community development, good relation with state and national associations and other organization devoted to rural electrification and community development, attainment of area-wide service, compliance with provisions of loan contract and mortgage covenant and other agreements to which the Cooperative is a party; and
- f) To publicly-spirited citizens and be dedicated to the success of the Cooperative.

**3. Office of the General Manager (OGM)**

The general functions of the OGM are summarized as follows:

- a) To plan, organize, direct, control and coordinate over-all activities, programs and projects of the Cooperative;
- b) To ensure the implementation of National Electrification Administration-governed policies, guidelines and other governing laws, rules and regulations and that of the Cooperative;
- c) To plan and/or review/approve feasibility of projects;
- d) To see to it that all Cooperative planned and approved targets, activities and projects are accomplished accordingly and efficiently;
- e) To ascertain that all assets and properties of the Cooperative are properly accounted and safeguarded from destruction or losses of any kind; and
- f) To keep the Board fully informed through written/verbal reports monthly or as needed and make recommendations to the Board on objectives, plans, policies and programs, and actions needed for the development of the program.

**4. Internal Audit Division (IAD)**

The general functions of the IAD are summarized as follows:

- a) To install and implement an effective and efficient internal control system in all departments and offices of the Cooperative;

- b) To validate and certify the accuracy and reliability of financial documents, records and reports;
- c) To enhance/check adherence to prescribed managerial policies, laws, rules and regulations of the Cooperative/National Electrification Administration; and
- d) To submit reports and recommendations on findings of any form of misconduct to the General Manager.

**5. Finance Services Department (FSD)**

The general functions of the FSD are summarized as follows:

- a) To prepare the annual budget and financial plan of the FSD and the entire Cooperative;
- b) To act as the implementing arm of the General Manager in the financial operation of the Cooperative;
- c) To formulate, for approval of the General Manager and apply an effective and systematic procedure in collection of all receivables, deposits and transfer of funds and payment of Cooperative payables;
- d) To keep and maintain an up-to-date and accurate records/book of accounts and reports of all business transactions of the Cooperative;
- e) To act as custodian of the Cooperative's financial resources and documents;
- f) To develop and improve the financial programs and policies and secure approval of the General Manager or Board of Directors; and
- g) To submit reports as required by the General Manager.

**6. Institutional Services Department (ISD)**

The general functions of the ISD are summarized as follows:

- g. To handle the institutional development of the members and employees of the Cooperative and ensure the effectiveness and success of Information campaign, Annual General Membership Assemblies, District elections/meetings and trainings and seminars.
- h. To advise and assist the General Manager in developing programs for members' understanding of Cooperative's objectives and sense of belongingness; administration of effective implementation of policies concerning employees discipline and welfare.

**7. Technical Services Department (TSD)**

The general functions of the TSD are summarized as follows:

- a) To prepare the annual budget and work plan of the Technical Service Department;
- b) To plan, construct, operate and maintain the distribution system of the Cooperative in accordance with the approved work plan and technical standards;
- c) To conduct periodic system analysis and evaluation of distribution lines to minimize systems loss and maintain service reliability and efficiency;
- d) To prepare five (5) to ten (10)-year work plans in collaboration with the FSD and ISD;
- e) To conduct material planning and maintain the required necessary inventory level of line materials; and

- f) To comply with the ERC program for the distribution system pursuant to the EPIRA.

**D) DESCRIPTION OF CURRENT PROCESSES**

**1. Application for Electric Service Connection**

This process involves the application of any applicant who wants to avail of electric service connection by inquiring in the main office or any of the area offices. This process starts once the potential consumer has submitted the requirements to the MSD Clerk. The potential consumer shall be required to attend the Pre- Membership Orientation Seminar to be conducted by the Member Relation Head. Upon completion of the requirements, the House Wiring Inspector shall conduct house inspection. Upon certification by the inspectors, the applicant pays applicable fees to the Teller for the service connection including the membership fee. The MSD clerk shall assign an account number to the new member/consumer and shall request for the kWh meter and service drop. Thereafter, the Warehouse Section Head shall issue kWh meter and service drop which will be installed by the Lineman. A report, which shall include the date and time of accomplishing and inputting in the system by the MSD Clerk, shall be issued.

**2. Requisition and Procurement Procedure**

This process applies to both CAPEX and NON-CAPEX expenditures. This process starts with the submission of request for requisition of materials or services by the requesting Department Personnel. Upon the General Manager's approval of the request, the procurement officer prepares the requisition voucher and determines or estimates the cost of materials or services. Purchases of goods or services amounting to PhP1.0 Million and above shall be subjected to public bidding which will be handled by the Bids and Awards Committee (BAC). The procedure and process to be undertaken by the BAC includes the preparation of bidding documents, publication of Invitation to Bid, evaluation of the bids, and recommendation to the General Manager of the award of contract.

Upon the recommendation of the BAC, the General Manager approves award of contract and issues the Notice of Award and Purchase Order. Repeat order is allowed as long as the price is the same or lower than the original bid price and done within a period of six (6) months from the date of bidding. For services, renewal of contract is allowed as long as the quality of service provided did not diminish.

For purchases of goods or services below PhP1.0 Million but above Three Hundred Thousand Pesos (PhP300,000.00), the BAC handles the procurement by securing sealed quotations/canvass from at least three (3) suppliers. After evaluation, the BAC shall recommend the award of contract and the Purchase Order shall be approved by the General Manager.

Emergency procurement is undertaken only in times where immediate action is necessary to avoid any delay in

project/activity that would cause the Cooperative imminent loss of life and/or property. All emergency procurement will be based on canvass of prices from at least three (3) suppliers.

Procurement through direct purchase or negotiation may be allowed in cases where the competitive bidding is not feasible like in cases of sole distributorship and when there have been failure of bidding for three (3) times. Splitting of contracts/purchases is strictly prohibited.

### **3. Right-of-Way Clearing (Line Clearing)**

An occurrence of transient power outage is usually caused by vegetation that touches the primary distribution line which causes the substation protection to trip-off. This transient power outage will contribute to an increase in the system loss if not for reliable secondary distribution system. Right-of-way clearing (Line Clearing) will ensure continuous flow of electricity and reliable electric service thus reducing system loss.

### **4. Distribution System Analysis and Evaluation**

This process involves load flow analysis and determination of distribution line and distribution transformer loading for current year and each of the forecasted years. If the load exceeds the thermal capacity of conductor or the transformer, the loading problem is considered as priority problem to be addressed. On the other hand, if the loading exceeds the economic loading range of conductors, the distribution line segment or transformer shall be noted for system loss reduction.

This process starts by preparing the data base of the system. Subsequently, the data base will be analyzed, evaluated and simulated. Based on the results of the analysis, evaluation and simulation, planning of actions will then follow.

### **5. Warehousing (Issuance)**

Undertaking this process is within the responsibilities of the warehouseman, who is accountable for the issuance of materials and equipment. The warehouseman ensures that the materials and equipment withdrawn from the warehouse are properly supported by Request Issuance Voucher and Materials Charge Ticket.

The process starts from the submission of request by the Requisitioner of the materials and equipment. Upon the General Manager's approval of the request, the Warehouse Section Head will issue the material and equipment to the Requisitioner. If issued to the Network Management Division of Technical Services Department, the materials and equipment requested shall be received by the requesting personnel, then the Work Order Officer shall issue Assignment of Work Order Number. On the other hand, if the materials and equipment are issued to Area Offices, the materials and equipment requested shall be received by the Requesting Area Officer. The

Operations and Maintenance Supervisor shall place the materials in its own inventory at area office, then said Supervisor will request for issuance of materials and equipment. The request shall be approved by the Area Manager or Sub-Office Head.

In all such cases, the Work Order Officer shall prepare monthly report (Material Register).

#### **6. Warehousing (Receiving)**

Under this process, the Warehouseman is responsible in receiving materials and materials stock at the warehouse. The Warehouseman should verify the description/specification and standards of materials/equipment received from suppliers.

The process starts when the Warehouse Section Head receives the materials from the suppliers. The materials received shall be concurrently checked and inspected by the Warehouse Section Head and the Acceptance Committee. Thereafter, the Warehouse Section Head shall input the materials in the system and will issue Receiving Report. The Acceptance Committee and the General Manager will check the documents and sign the Receiving Report. The Warehouse Section Head will then distribute the Receiving Report to various departments. The Work Order Officer will prepare the monthly report. Thereafter, the Warehouse Section Head will move the item to the warehouse for inventory or return to supplier and issue Material Charge Ticket.

#### **7. Disbursement of Funds**

This process involves the preparation of the petty cash, check, disbursement and payment to the suppliers after the warehouse receives materials from suppliers. The Finance Services Department is responsible for the preparation of check and disbursement funds.

The procedure starts after the checking of the quantity and inspection of the materials. For petty cash, the petty cash custodian or cashier will prepare the petty cash vouchers and summary of expenses and thereafter the replenishment of the petty cash fund. For check disbursement or direct payment to suppliers, the purchaser prepares RV, PO, RR and other various documents. For both petty cash and direct payment to the suppliers, the bookkeeper prepares the check voucher and checks the supporting documents. The check voucher will be signed by the Finance Service Division Chief, then the Finance Manager will recommend the approval of the check payment. The internal audit will then audit the supporting documents. The appropriate approving authority will sign the checks. Once signed, the cashier will release the same. The Bookkeeper will then prepare the monthly report (Check Register).

#### **8. Liquidation of Cash Advance**

The Internal Audit Division is responsible in checking the advances of officers and employees. The Internal Audit Office



evaluates and verifies supporting documents and submits the same to the Accounting Office for recording and safekeeping.

**9. Testing/Calibration of New kWh Meters for Issuance**

Under this process, the Meter calibrator ensures that all issued meters had passed the calibration test and had conformed to standards of specification.

The process starts by testing if the meter is running by the Meter Calibrator then store for issuance. The storing for issuance may be performed by the Calibrator Aide in lieu of the Meter Calibrator. The TSD will then issue a meter with a turn order. Thereafter, the Meter Calibrator shall input the records.

**10. Transformer Load Management**

This process ensures the reliability of in-service distribution transformers against overloading. This process involves collection of hourly load data of every communal distribution transformer installed in the distribution system of BASELCO.

The process starts by Load Survey Scanning. Then, the TSD Manager will study the loading of transformer. The TSD Staff will replace or upgrade overload transformer then augment or breakload. Thereafter, the performing Staff will make a report.

**11. Line Construction**

The Line Construction process involves job orders for both rehabilitation of existing line and expansion of distribution line. Job orders for rehabilitation of lines, replacement of rotten poles and relocation of poles due to right of way problem are usually determined and prepared by Operation & Maintenance Supervisor while expansion of lines are being prepared by Planning & Design Supervisor. Minor projects are normally implemented by organic construction crew, however, major job orders usually implemented through accredited contractors.

The process starts by the conduct of survey by the TSD Staff or Lineman and the preparation of the bill of materials. The TSD Manager or Management will look for funding requirements. The BAC members will conduct the bidding then issue the Notice of Award. The purchaser will prepare the purchase order which must be approved by the General Manager. The purchaser will have the purchase order for materials. The management will execute a Contract for the Construction of the Line. The concerned personnel will start the construction then the closing-out of projects by the TSD Manager.

**12. Procedure in the Implementation of Line Maintenance, Rehabilitation and Miscellaneous Projects**

This procedure aims to accomplish job order on a timely manner and to ensure safety and reliability of electric service. Implementation of this process is through BASELCO'S organic personnel or accredited contractors.

**13. Warehousing (Returned Materials)**

The Warehouseman is responsible to account the return of excess materials and determine classification of material issuance to Material Credit Ticket and Material Salvage Tickets.

**14. Consumers Request/Complaints and Dispatching Operations**

This process involves the addressing of complaints or service request of a consumer which may be made personally in all the area offices of BASELCO or thru telephone (mobile).

The procedure starts after the Ottoman or the Membership Development & Information Head has received and input consumer complaints in the system, indicating the type of the complaint. For maintenance related complaints, the MSD Clerk or Complaint Desk Personnel shall print an acknowledgement receipt to be given to customer and a service order to be forwarded to Area Engineer or Maintenance Foreman. For issues other than maintenance related complaints, the service order is forwarded to the concerned personnel for appropriate action. The maintenance crew or concerned personnel shall thereafter sign the service order, indicating the time that the task was accomplished and/or action taken. The MSD Clerk shall then record the action taken and date and time of accomplishment. Monthly/quarterly consumers' complaints reports will be printed for evaluation and also for submission to government agencies like Energy Regulatory Commission and the National Electrification Administration. For the cooperative, evaluation includes the time spent in resolving a complaint, so that proper measures will be made to expedite such complaints.

**15. Field/Spot Calibration**

The Technical Support Staff caters meter complaints and provides meter inspection and correction to consumers.

**16. Line Trouble Shooting**

This process ensures immediate restoration of faulty distribution lines. For individual customer complaints, it involves testing of the service drop wires, entrance wires, kWh meter and up to circuit breakers. For distribution line faults, the service includes inspections of lines from secondary, distribution, transformer and primary line.

**17. Emergency Line Maintenance**

This process involves the restoration of power on a damaged distribution line. This is the primary responsibility of the Technical Services Department (TSD). This includes repair of toppled poles, severed conductors and busted distribution transformer due to force majeure, human error or equipment failure.

The process starts with the inspection by the TSD Staff or Lineman of the lines. Thereafter, the said personnel assess the materials needed. Once the needed materials have been

determined, the TSD Staff will prepare the same. The Lineman or the Maintenance Foreman will then execute the maintenance. The Maintenance Foreman will prepare the accomplishment report. The MSD Clerk will input the accomplishment in the system.

**18. Implementation of Street Lighting**

This process involves the duty of the Technical Services Department Manager to assign servicemen for the actual connection of Street Lighting and see to it that all connect order are submitted to the Team Leader of the Billing Operator for outright billing.

**19. Meter Reading and Billing System**

This process involves manual reading of kWh meters by the Meter Reader. After the reading has been conducted, the Meter reader shall upload to the computer the kWh meter read and update consumers' data accounts. The Workstation Operators and Computer Operator of the Electronic Data Processing Section will prepare the billing of member-consumers and shall download and upload the read data of the Meter Reader and update the member-consumer's data account. Thereafter, the statement of account will be distributed to the member-consumers. This task is to be performed by Contractors outsourced by the Cooperative on a piece meal basis.

This procedure begins from the reading of the household meters using mobile computers by the Meter Reader. The kWh meter read will be downloaded and evaluated by the Billing Section using its in-house billing system. Once evaluated, the Billing Section will process and print the customer's statement of accounts and summary of bills. Then the Area Office Personnel will receive the Statement of Account. The Meter Reader will then distribute the Statement of Account to the respective households. The process ends after the Consumer Accounts Supervisor has produced a Sales Report.

**20. Collection/Tellering**

This process involves the collection of payment from the member-consumers. BASELCO has no field collectors. Consequently, payment is made by the member-consumers themselves, who have the option either to pay thru tellers or banks. The Cashier will then prepare Daily Collection Report and Daily Cash Position Report which must be checked and verified by the Accounting Section to ensure that the reports are accurate and in accordance to the accounting policies and proper procedures.

The procedure starts from the payment by the customer of the bill thru tellers and/or banks. If the customer opted to pay thru BASELCO'S Main Office, the teller will issue an official receipt to the customer after receiving the payment then he/she will print Collection Report and deposit slips.

The Consumers Accounts Division Chief will check the collection report and deposit slip and forward the report to the Finance Services Department. If the customer opted to pay thru Banks other than BASELCO'S Main Office, the Collection Center issues receipt to the consumers and then deposit the collections thru Cooperative's depository banks. The Collection Center will also email summary of payments/collections to IT for uploading and IAD personnel for checking. Then the Cashier will verify the deposits made and issue Official Receipt of payment to collection centers. The Bookkeeper or Accounting Clerk will print Collection Report.

**21. Disconnection/Reconnection System**

This process involves the disconnection and reconnection of the consumers in accordance with the provisions of Magna Carta and DSOAR on disconnection of consumers.

The Cooperative Disconnection process starts after the preparation of a "disco" schedule based on the time the statement of accounts are served to the customers. The Consumers Accounts Division Chief generates the listings of consumers for disconnection for the day using BCMS In House Program. These listings are checked by the MSD Division Chief and are dispatched to the concerned disconnection crews. The Disconnection Crews perform the disconnection based on Magna Carta for Residential Electricity Customers and then submit accomplishment reports to Area Manager. The Consumers Accounts Division Chief will input disconnected customers in the database. The customers can pay the bill and reconnection fees to the tellers. After payment of the said fees, the Members Services and Development Division ISD shall automatically forward the Reconnection Order to the MSD Clerk for printing. Thereafter, the MSD Clerk will dispatch the Reconnection Order to the maintenance crew. The maintenance Crew or lineman shall accomplish the reconnection order. After the reconnection order has been accomplished, the Consumer Accounts Division chief shall post the accomplishments in the system to update the customers' status.

**22. Billing Adjustment**

Under this process, the Bill Clerk or Verifier prepares the computation of adjustment as recommended by the meter reader or the inspector due to defective kWh meter and meter reading and billing error and adjustment for apprehended consumer due to illegal connection.

**23. DCPR System**

Under this process, the Daily Cashier's Position Report incorporates the collection reports of Area Offices and Central Office. It is the responsibility of the cashier to protect BASELCO'S resources, monitors collections, deposits and balances of bank accounts.

The process begins by the preparation of the Liquidation of Expenses by the teller. Thereafter he or she will deposit the amounts in the bank account.

The Cashier prepares the Daily Cashier's Position Report. The Internal Auditor will check and audit the Daily Cashier's Position Report. After verification, the Billing Section Head will record and input the same into the system.

**24. Preparation of MFSR**

This process involves the preparation of the monthly financial statements and monthly financial and statistical report or MFSR. The General Journal (GJ), which involves the recording of entries that cannot be recorded in any other books, completes the books of BASELCO. Duly approved journal vouchers are recorded by the Accounting Section Head. All cooperative book balances are consolidated in the Working Trial Balance prepared by the Accounting Section Head. From the Trial Balance, the Monthly Financial Reports such as the Income Statement, Balance Sheet, and Statement of Cash Flow are prepared. Other reports like Collection Efficiency, Accounting of RFSC Collections, Details of Capital Projects Disbursements, and other reports to National Electrification Administration and Energy Regulatory Commission are also prepared using the said trial balance.

This process starts by the preparation of journal vouchers by the Accounting Section Head and the printing and signing of journal vouchers. The Finance Manager will recommend approval and signing of the vouchers. The Internal Auditor will then check and audit the journal vouchers which will be approved by the General Manager. The Accounting Section Head will prepare the monthly report then summarize all other books, prepare working trial balance and then the monthly financial reports.

**25. BAPA Operations**

Barangay Power Associations (BAPA) was created for the purpose of strengthening member awareness and involvement in efforts towards the reduction of system loss and improvement of collection efficiency. Operations of BAPA are monitored and supervised by BAPA Monitoring Officer.

**26. Annual General Membership Assembly**

This is an official meeting of all member-consumers of the Cooperative representing nine (9) Districts. And as mandated by the Cooperative's Constitution and By-laws, AGMA is conducted once a year depending upon the majority decision of the Board of Directors. This is a venue for the member-consumers to air their concerns and comments on issues and matters highlighted during the business meetings as part of the referred assembly.

**27. Vehicle Check-up/Repair**

This procedure starts when the Cooperative Mechanic evaluates damage of vehicle(s), determine its causes and recommends minor (in-house job) or major repair (outside job). The Cooperative Mechanic procures spare parts for the in-house and outside job. The Mechanic is responsible for the preventive maintenance of vehicles and safety of the passengers.

**II. DETAILS OF BUSINESS SEGMENTS**

Currently, BASELCO is engaged in five (5) business segments out of the seven (7) business segments under Business Separation Guidelines (BSG), as amended, namely: Generation Services, Distribution Services, Distribution Connection Services, Regulated Retail Services and Related Business Segment, described under the BSG, as follows:

**1. Generation Services Business Segment**

This segment is engaged in the provision of Generation Services- namely:

- a) the conveyance of electricity through the power plant- Mini-Hydro;
- b) The planning, maintenance, augmentation and operation of a Generation System.

**2. Distribution Services Business Segment**

This segment is engaged in the provision of distribution services - namely:

- a) the conveyance of electricity through a Distribution System and the control and monitoring of electricity as it is conveyed through the Distribution System (including any services that support such conveyance, control or monitoring or the safe operation of the Distribution System);
- b) the provision of Ancillary Services (if any) that are provided using assets which form part a Distribution System (an example of such Ancillary Services is services provided by a series reactor or a static var compensator);
- c) the planning, maintenance, augmentation and operation of a Distribution System;
- d) the provision, installation, commissioning, testing, repair, maintenance and reading of related meters that are not also used to measure the delivery of electricity to End-users or other customers; and
- e) Billing, collection and the provision of customer services that are directly related to the delivery of electricity to End-users or that relate to the connection of such persons to a Distribution System (whether such services are provided to those End-users or to Suppliers or to any other person).

**3. Distribution Connection Services Business Segment**

This segment is engaged in the provision of distribution connection services – namely:

- a) the provision of capability at each Connection Point to a Distribution System to deliver electricity to or take electricity from the Connection Point, and the conveyance of electricity:
  - i. from the facilities of persons which are directly connected to the Distribution System to the Connection point; or
  - ii. from the Connection Point to the facilities of persons which are directly connected to the Distribution System;
- b) the planning, installation, maintenance, augmentation, testing, and operation of Distribution Connection Assets; and
- c) The provision of other services that support any of the above services.

**4. Regulated Retail Services Business Segment**

This segment is engaged in the provision of regulated retail services, namely: services pertaining to the sale of electricity end-users who are included in the Captive Market, and includes:

- a) billing, collection and the provision of customer services to such end-users in their capacity as electricity consumers;
- b) energy trading (including the purchase of electricity and hedging activities) undertaken in connection with the sale of electricity to end-users who are included in the Captive Market; and
- c) The sale of electricity to end-users who are included in the Captive Market. Regulated retail services also comprise the provision, installation, commissioning, testing, repair, maintenance and reading of meters that are used to measure the delivery of electricity to end-users who are included in the Captive Market.

**5. Related Businesses Segment**

This segment is engaged in the provision of all other services, and the carrying out of all other activities that utilize distribution assets, facilities, or staff including:

- a) Electricity related services such as the construction and maintenance of customer installations and
- b) Non-electricity related services such as telecommunications services.

In the future, BASELCO intends to organize a separate entity that shall undertake the Last Resort Supply Services, Non-regulated Retail Services and Wholesale Aggregation, described under the BSG, as follows:

**Initial plan into Last Resort Supply Services**

This segment is engaged in the provision of Supplier of Last Resort services provided by BASELCO, namely: services pertaining to the sale of electricity to supplier of last resort customers, including billing, collection and the provision of basic customer service.

**Initial Plan into Non-Regulated Retail Services**

This segment comprises the provision of non-regulated retail services provided by the cooperative, namely: services pertaining to the sale of electricity to end-users who are included in the contestable market or to the other customers who are not end-users, and includes:

- a. billing, collection and the provision of customer services to such end-users in their capacity as electricity consumers or to such other customers in their capacity as purchasers of electricity;
- b. energy trading (including the purchase of electricity and hedging activities) undertaken in connection with the sale of electricity to end-users who are included in the contestable market or to other customers who are not end-users; and
- c. The sale of electricity to end-users who are not included in the contestable market or to other customers who are not end users.

**Initial Plan into Wholesale Aggregation**

This segment is engaged in BASELCO's service of purchasing electricity in bulk and selling this to other Distribution Utilities. It also comprises the provision of Wholesale Aggregation services provided by BASELCO, namely services pertaining to the sale of electricity to other Distribution Utilities including billing, collection and the provision of basic customer service.

**III. ACCOUNTING SEPARATION**

BASELCO shall adopt the ERC-approved Accounting and Cost Allocation Manual (ACAM) in its operations. It shall likewise adopt certain policies and principles to be able to achieve an effective accounting separation, as follows:

- a. Principles to Achieve Accounting Separation
- b. Allocation Principles
- c. Chart of Accounts
- d. Requirement for Audit

**IV. DESCRIPTION OF SEPARATION**

BASELCO will remain as of this filing a single entity and will be unbundled through separation of employees and its assets as deemed appropriate. The separation will be through evaluation



of workloads, job descriptions, qualifications and usage in the case of the fixed assets.

It will allocate its departments to its business segments. Likewise, departments with un-attributable costs, allocation shall be made using the appropriate allocation factors as prescribed in the ACAM.

BASELCO's BSUP presents a diagrammatic presentation of the following:

- a. General Structure Per Business Segment
- b. Detailed Structure Per Business Segment
- c. Detailed Structure Per Department
- d. Detailed Structure Per Area

#### **V. MILESTONES AND HIGHLIGHTS**

Details on BASELCO's Milestones and Highlights are documented in the BSUP.

#### **VI. PROGRAM FOR CODE OF CONDUCT**

BASELCO shall comply with ERC Resolution No. 31, Series of 2006, and the Code of Conduct for Competitive Retail Market participants.

Printed as well as electronic copies of BASELCO's proposed BSUP are being submitted herewith and made integral parts hereof as **Annexes "A" and "A-1"**, respectively.

7. Further, BASELCO is likewise submitting herewith for the Honorable Commission's consideration and approval, a set of Confidentiality Policies and Guidance to be observed by concerned personnel of the cooperative, together with a Board Resolution adopting certain sets of obligations imposed upon Distribution Utilities, among others, as provided under Article V of the Business Separation Guidelines (BSG), attached hereto and made integral parts hereof as **Annexes "B" and "C,"** respectively.

8. Finally, BASELCO prepared an Accounting Separation Statement in accordance with the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives, based on its Audited Financial Statements for the Year 2014, for the Honorable Commission's consideration. It is being submitted herewith together with the cooperative's 2014 Audited Financial Statements, attached hereto and made integral parts hereof as **Annexes "D" and "E"**, respectively.

#### **PRAYER**

**WHEREFORE**, premises considered, it is respectfully prayed of this Honorable Commission that after due notice and hearing, BASELCO's proposed Business Separation and Unbundling Plan (BSUP) be approved accordingly.

Other reliefs, just and equitable in the premises are likewise prayed for.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **8 May 2018 at ten o'clock in the morning (10:00 A.M.), at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the Application may request from Applicant that it be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the Application and its attachments, subject to the reimbursement of reasonable

photocopying costs. Any such person may likewise examine the Application and other pertinent records filed with the Commission during the standard office hours.

**WITNESS**, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **GLORIA VICTORIA C. YAP-TARUC**, **ALFREDO J. NON** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 22<sup>nd</sup> day of March 2018 in Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*

  
I.S./SLAN/KFB/APV